

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 3, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 3, 2011 at Stoney Creek Inn & Conference Center in Johnston, IA. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM, and called on Jack Ketterer, Administrator of IRGC, for amendments to the posted agenda. Mr. Ketterer advised there were two additions to the agenda: Isle of Capri is seeking approval of their refinancing agreement prior to closing under Agenda Item 9D, the license renewal for IOC Black Hawk County, and the City of Davenport requested to be on the agenda to address the Rhythm City renewal. This has been added to Agenda Item 9I, the license renewal for IOC Davenport.

Chair Urban requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Rivera seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the January Commission meeting. Commissioner Seyfer moved to approve the minutes from January 13, 2011 as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Urban called on Mr. Ketterer for announcements. He advised that the final two meetings of the fiscal year will be on April 14th at Harrah's in Council Bluffs and June 9th at Stoney Creek in Johnston. There is no meeting in May. Mr. Ketterer stated that the meeting dates for FY 12 will be announced at the April 14th Commission meeting.

Chair Urban moved to the contract approval portion of the agenda and called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Purchase Slot Machines
- Commercial Audio and Video, LLC – Purchase Sound System for New Casino
- DeWild Grant Reckert & Associates Co., Inc. – Construction: Additional Engineering Services
- DLR Group/KKE – Construction: Change Order for Additional Architectural Services
- Electronic Gizmos & Display Systems – Construction: Acrylics
- Electronic Gizmos & Display Systems – Construction: Interior Directional Display Package
- Electronic Gizmos & Display Systems – Purchase Slot Sign Package

- IGT – Purchase Slot Machines
- Konami Gaming, Inc. – Purchase Slot Machines
- Konami Gaming, Inc. – Purchase Konami Slot System
- Konami Gaming, Inc. – Konami Slot System Support 2011
- Lyon County – Resort Agreement
- Midwest Casino Supply – Purchase Casino Chairs
- Midwest Gaming Supply – Purchase Table Games Equipment & Supplies
- Midwestern Mechanical – Construction: Change Orders for Adjustments to Fire System per Insurance Company requirements
- Reliance Electric – Construction: Change Orders for Additional Electrical Work for New Casino
- Riverside Casino & Golf Resort – Rates: Hotel Rooms, Food and Other
- Target Commercial Interiors – Purchase FF&E for New Resort
- TSP – Construction – Change Orders for Additional Concrete Work
- WMS Gaming – Purchase Slot Machines

Ms. Haselhoff advised that the Target contract should have been marked as an Iowa company with an out-of-state address. She noted they have 22 stores in Iowa.

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts submitted by GFCR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-14)

Ms. Haselhoff advised that Joe Massa, Chief Executive Officer, distributed photos taken two days ago at the property. She reported that with the completion of a few more milestones, the property will be ready for a grand opening on Thursday, May 26th. They are starting to work on the finishing touches – carpeting, wallpaper, kitchen equipment is being installed, and the first shipment of slot machines has arrived. There is power throughout the property, and the first test of the backup generators will take place on Friday. Informational meetings will be held on Friday for table games, with the table game school commencing on Monday. Ms. Haselhoff stated that the property would open ahead of schedule and under budget. She stated that all of the directors have been hired, and they are starting to hire supervisors and managers.

Commissioner Rivera asked how many employees Grand Falls would have. Ms. Haselhoff indicated there would be in excess of 700 employees.

Chair Urban called on Horseshoe Casino. Janae Sternberg, Vice President of Finance, presented the following contracts for Commission approval:

- CB Lodging d/b/a Springhill Suites – Lodging for Patrons
- Metro Liquor d/b/a Metro Wine Spirits and Tobacco – Liquor Vendor
- Nebraska Furniture Mart – Furniture Vendor

- Roberts Communication – Simulcast Uplink services
- United Tote – Tote Services

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Horseshoe Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-15)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C) and requested an update on the hotel. Brian Wessels, Director of Finance, advised that the hotel construction is still on schedule; that they are starting to install the steel for the framework of the hotel.

Chair Urban asked if there was any new information regarding the lease with Polk County. Mr. Wessels stated that the parties are still negotiating.

Chair Urban noted that the Commission approved a contract with HOA at the January meeting as a consultant to assist with leadership training and the training of employees. She noted that in a follow-up phone call/e-mail from Gary Palmer, General Manager, the Commission now understands that the contract should have either been for \$100,000 or the description of the contract should have been different. Chair Urban asked Mr. Wessels to provide further clarification at this time.

Mr. Wessels advised that the HOA contract should have been in the amount of \$5 million. HOA will be providing consulting and training, but they will also be purchasing furniture, fixtures and equipment for the hotel at PMR&C. Chair Urban asked if approximately \$4.5 million would be for the furniture, fixtures and equipment. Mr. Wessels answered in the affirmative.

Mr. Wessels submitted the following contracts for Commission approval:

- Bankers Trust Company – ATM Services Agreement
- ECS, Inc. – Audio/Video Equipment
- Imagine This – Promotional Items
- Xerox Corporation – Printing Equipment Lease

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-16)

Chair Urban called on Mystique Casino/Dubuque Greyhound Park regarding the 45-day plan for the upcoming live race meet. Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address any

questions. Mr. Hoeger stated that the live meet will commence on April 30th and end on October 30th.

Mr. Hoeger presented the following contracts for Commission approval:

- International Association of Machinists – Labor Agreement for Casino
- Mission Creative – Full Service Advertising Agency
- Modern Piping, Inc. – Install 2 Package Boiler for Reheats
- United Steel, Paper & Forestry, Rubber, Manufacturing Energy, Allied Industrial Service Workers International Union (USW) – Labor Agreement for Security Department

Hearing no comments regarding the 45-day plan or the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the 45-day plan and contracts as submitted. Commissioner Hayes moved to amend the motion to include the following staff recommendations:

- The completion of all appropriate DCI backgrounds, continued approval of simulcast schedule requests to insure compliance with all regulatory requirements and performance of a required tote test prior to live racing.
- Work with Commission staff on an ongoing basis to review procedures related to housing, management, care, infectious disease control and welfare of racing greyhounds; including periodic review with staff members and IGA representatives on track maintenance and safety issues.

Chair Urban called for a second to the amended motion. Commissioner Cutler seconded the amended motion. The amendment to the motion carried unanimously. (See Order No. 11-17) Chair Urban then called for a vote on the motion to approve the 45-day plan and the contracts. The motion carried unanimously. (See Order No. 11-18)

Chair Urban called on Mark Vander Linden, Executive Officer of the Iowa Gambling Treatment and Prevention Program in the Department of Public Health. Mr. Vander Linden advised that March 6 – 12, 2011 is National Problem Gambling Awareness Week. He stated that the program receives funding through the General Fund to help persons affected by problem gambling and provide information, training and support for the counselors providing treatment services. In 2010, the treatment providers served over 948 individuals, which was up slightly from the previous two years, but the number was average for the last five years. Mr. Vander Linden provided the following information regarding services for Fiscal Year 2010:

- 2.7% of Iowans are affected by a pathological gambling disorder; this is five times higher than in other states. He stated there is a significant gap between those needing services and those being served in Iowa. Efforts are being made to narrow the gap by working with the 1-800-Bets-Off helpline and the treatment

providers to reach more individuals. Alternative methods have been developed to reach individuals for whom normal treatment options are not feasible due to a variety of circumstances.

- Those seeking help are split between men and women; slightly more women than men are seeking treatment. 95% have a high school or higher education; 91% are white; 44% are employed full time; 57% have between 1-3 children; 30% receive help for debt of \$20,000; 32% have filed for bankruptcy; 37% have lost or greatly jeopardized their jobs, education or career opportunities; 20% admitted to illegal acts to finance their gambling activity; and 17% have been arrested in the last 12 months. National studies indicate that 17% of pathological gamblers attempt suicide; 20% suffer from major depression and 76% reported substance abuse prior to seeking treatment.
- Mr. Vander Linden stated there is clear evidence that individuals seeking treatment are getting better. At this time, 98% in treatment indicated their gambling activity was much less than when they entered treatment. In following up with the same individuals, 93% have maintained the decrease in activity six months later. Seventy-seven percent have indicated their gambling debt is much less than when they entered treatment and that was maintained by 57% six months later following admission to treatment. Ninety-nine percent indicated their life was much better than when they entered treatment, and that was maintained by 92% six months later.

Mr. Vander Linden advised that there is a lot more information on problem gambling at the Department's website: www.1800betsoff.org/.

Commissioner Rivera asked if the statistics he just provided are available at the 1-800-Bets-Off website. Mr. Vander Linden indicated that most were.

Commissioner Hayes asked Mr. Vander Linden what he thought the impact of state-sanctioned internet gambling would be on those individuals currently being served by the various programs. Mr. Vander Linden stated that he felt it would increase the number of people gambling. He hopes, that should the legislation pass, there would be safe guards in place to prevent underage individuals from gambling; thereby somewhat limiting the harm to problem gamblers. Mr. Vander Linden advised that when new gambling options are introduced, there is a spike in the number of individuals gambling, but that it then levels off after a period of time.

Commissioner Hayes asked if the individuals using the treatment services now gamble at all different venues – casino, unregulated, etc. Mr. Vander Linden advised that they did track this type of information. Last year, internet gambling accounted for 1.5% in the last six months. The highest number, 61%, reported playing slot machines in the six months prior to seeking treatment. Mr. Vander Linden stated that internet gambling is not causing problems for those individuals seeking treatment.

Commissioner Rivera asked if the agency tracked the number of individuals seeking help but that do not follow through. Mr. Vander Linden indicated that they try. If an individual commences treatment and drops out; they follow-up with them to try and determine why. He stated that the data provided this morning includes everyone from those receiving information to those in treatment. Mr. Vander Linden stated that staff does a very good job of getting individuals into treatment. Commissioner Rivera asked if treatment information is provided to family members as well. Mr. Vander Linden answered in the affirmative.

Commissioner Cutler asked how much is spent on marketing annually. Mr. Vander Linden advised that \$428,000 is allotted for health promotion campaigns state-wide.

Hearing no further questions for Mr. Vander Linden, Chair Urban called on Mr. Ketterer to review the Year-to-Date Economic Impact reports filed by the licensees. Mr. Ketterer advised that the licensees submit economic impact data in four categories: payroll and related expenses; operating expenses, equipment, supplies and services, and statutorily required payments and charitable donations (contributions to the non-profit licensees, direct donations from the operators, and other contributions to local government).

Mr. Ketterer stated that the Commission focuses on equipment, supplies and services, which is the subject of many of the contracts brought before the Commission at each meeting for approval. The licensees are required by Iowa Code to substantially use Iowa sources for goods and services. He stated that the Commission understands that purchases such as gaming equipment are not available in Iowa. Additionally, many facilities are located on the borders and expenses for media may require that they advertise with the TV station, radio or for buses that come from outside the state from other than Iowa sources. Excluding the gaming equipment and the specialized and necessary sources, the Commission focuses on the other discretionary items. In 2009, the Iowa percentage was 87.65%; this year it was 86.15%, down 1.5%. Mr. Ketterer stated that the Commission always likes to see that figure above 80%. In reviewing individual properties, the only ones that would be questionable are Ameristar at 71% this year (86% in 2009); and Marquette at 64% (74% in 2009). He conceded that part of the issue with Marquette is the size of the city (400) and that the bulk of the population is across the river. Mr. Ketterer advised that the Commission would like to see the properties keep their Iowa percentages above 80%.

Mr. Ketterer advised that the overall contributions for all sources (payroll, operating expenses, taxes and fees, and charitable contributions) was in excess of \$900,000. All expenditures totaled together were just over \$1 billion; which was a fraction of a percent less than 2009.

Commissioner Hayes clarified that the above figures did not include any expenditures for Lyon County. Mr. Ketterer indicated that was correct. Commissioner Hayes stated more was being spent in Iowa than was reflected by the reports. Mr. Ketterer, taking Commissioner Hayes' comment into account, again answered in the affirmative.

Chair Urban noted that Mystique Casino had \$77,000 in donations not given in Iowa. She asked where that money went. Mr. Ketterer stated that it more than likely was distributed in the tri-state area. He asked Mr. Hoeger to correct him if he was wrong. Mr. Hoeger stated that his explanation was correct. Commissioner Cutler stated that Iowa West does the same thing in Council Bluffs.

Chair Urban moved to the Excursion Gambling Boat and Gambling Structure License Renewals and called on Iowa West Racing Association/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino (IWRA/Ameristar). Jerry Mathiasen, Associate Executive Director of IWRA, addressed the license renewals of Ameristar and Harrah's. He requested the Commission's support of both license renewals. Mr. Mathiasen stated that IWRA has an excellent relationship with both Ameristar and Harrah's, and that they are key corporate citizens. He noted that the November 2010 referendum passed with over 80% support. To date, the Iowa West Foundation has contributed \$250 million to various non-profits. Mr. Mathiasen stated that Iowa West's top priority is education, and funds have been distributed for curriculum improvement, summer school, technology updates and a new college access program. Another top priority has been neighborhood revitalization, and IWRA funded a neighborhood center in Council Bluffs hoping that it would be a catalyst for neighborhood associations. The center led to the development of 12 new neighborhood associations in Council Bluffs. Mr. Mathiasen advised that IWRA has also funded a public art program and described various pieces of art and sculpture throughout the city. Mr. Mathiasen noted that IWRA has started going down a different path and has started granting operational funding grants due to the tight economic times. It has been their experience that many non-profits are struggling to stay afloat and these grants will help them to continue their operations. Mr. Mathiasen again asked for the Commission's support of the license renewal applications for Ameristar and Harrah's. He introduced Monty Terhune, General Manager at Ameristar; and Bo Guidry, General Manager at Harrah's and Ms. Sternberg, who were available to answer any questions regarding their respective license renewals.

Mr. Terhune stated that Ameristar considers it a privilege to operate in Iowa. He stated that while 2010 was a challenging year, Ameristar continued to reinvest in the property in the amount of \$7-8 million; \$1.5 million for a new surveillance system. Mr. Terhune stated that he has tried to focus on Iowa vendors since his arrival at the property, and is optimistic their Iowa percentage will be back up in 2011. He advised that Ameristar has several million in capital improvements planned for the current year as well. With regard to problem gambling, Mr. Terhune advised that Ameristar participates in a variety of programs, and has implemented the VeriDocs procedure to supplement their efforts to curb underage gambling. Additionally, they are working to get every team member to consistently request an ID, and provided focused training last September and December regarding fraudulent documents. Mr. Terhune stated that a significant number of team members volunteer throughout the community.

Mr. Terhune requested approval of Ameristar's license and a contract with G & D America, Inc. for a new count machine and monthly service.

Hearing no comments or questions for Mr. Terhune, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted, and to renew the license subject to the renewal of the licenses for the following IWRA board members by March 17th: Emma Chance, Patricia Hannan, John Nelson, Jack Ryan, Ron Tekippe, Barbara Walsh, Gary Woods, John Burns, Rick Crawl, David Kuper, M.D., Susan Miller, Suellen Overton, Georgia Sievers, Charles Smith, J. Todd Graham, Jerry Mathiasen, Timothy Miller, and Jacquelyn Dix. Commissioner Hayes stated that if the licenses are not renewed by March 17th, he would expect an explanation at the next meeting.

Chair Urban called on Mr. Ketterer for an explanation of the licensing process. Mr. Ketterer stated that board members and employees of the non-profits are required to be occupationally licensed and be backgrounded. Occupational licenses are renewed every two years, similar to all gaming employees and IRGC staff. Mr. Ketterer advised that the IRGC Licensing Offices contact all non-profit entities ahead of time to remind them when their board members' licenses are up for renewal.

Commissioner Rivera asked for confirmation that IWRA did have the information advising of the board and staff members that needed to be relicensed. Mr. Mathiasen confirmed that they did, and apologized for the oversight on their part.

Chair Urban requested a second to the motion. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-19)

Chair Urban called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel (Harrah's). Ms. Sternberg stated that Harrah's is pleased with their relationship with IWRA, and is committed to Iowa. She requested the Commission's approval of their license renewal and an additional contract with Bluffs Beverage d/b/a Premier Midwest for beverage purchases.

Hearing no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted, the contracts contained within the license renewal and to renew the license subject to the renewal of the licenses for the following IWRA board members by March 17th: Emma Chance, Patricia Hannan, John Nelson, Jack Ryan, Ron Tekippe, Barbara Walsh, Gary Woods, John Burns, Rick Crawl, David Kuper, M.D., Susan Miller, Suellen Overton, Georgia Sievers, Charles Smith, J. Todd Graham, Jerry Mathiasen, Timothy Miller, and Jacquelyn Dix. Commissioner Hayes stated that if the licenses are not renewed by March 17th, he would expect an explanation at the next meeting. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-20)

Chair Urban called on Washington County Riverboat Foundation, Inc./Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort (WCRF/RCGR). Tim Putney, President of WCRF, requested renewal of the license. He advised that to date WCRF has awarded approximately \$15,800,000 to charitable organizations; \$3,500,000 has gone to the nine county municipalities within Washington County per an agreement requiring

them to share 25% of their income. Mr. Putney stated that WCRF has granted 350 grants totaling anywhere from \$500 to \$2 million. He noted that during the summer of 2009, WCRF ran a special grant program to reach organizations that had not previously received any funding; 84 grants of \$2,000 each were given out. Most were to new organizations.

Chair Urban asked how much of the \$15.8 million was distributed this past year. Mr. Putney advised that it was just over \$3.2 million.

Dan Franz, General Manager, stated that WCRF is a very good partner. He noted that he became the general manager part way through 2010, and prior to that was the Controller and did not have an opportunity to get out a lot. Since becoming manager, he has been happy to get out in the various communities and see what the funds from WCRF have allowed the communities to accomplish. Mr. Franz requested the Commission's approval of the license renewal, the contracts included in the license renewal, and the two additional contracts as submitted:

- Atronic Americas, LLC – Lease Order – Participation
- The Gazette – Advertising Print

Hearing no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal, the contracts contained therein, and the additional contracts as submitted by WCRF/RCGR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-21)

Mr. Ketterer explained that the non-profit licensees for Washington County, Black Hawk County, Worth County and Palo Alto County, as would Lyon County, have contracts with the operator that were entered into after 2004, and; therefore, the operators are required to give at least 3% of their adjusted gross revenue (AGR) to the non-profit. Mr. Ketterer stated that all are in compliance with that requirement. He advised that all of the agreements contain clauses that indicate the amount would change if there was a tax increase. Mr. Ketterer stated that when staff reviewed the agreements, it was unclear what the reduced rate would be, but it can not be less than 3% of AGR. Mr. Ketterer asked the non-profits to review their agreements in the event of a tax increase.

Chair Urban called on Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo (BHCGA/IOC Waterloo). Beth Knipp, Executive Director of BHCGA, advised that IOC Waterloo and BHCGA have an excellent relationship, and that IOC has lived up to its commitments and is an asset to the community. The grants from IOC Waterloo have allowed a number of important projects in Waterloo and the Cedar Valley area to be funded. Over the past twelve months, BHCGA has awarded over \$8 million to 33 different projects. Ms. Knipp noted that the previous figure included \$5 million toward the construction of a \$26 million Sports Complex over eight years. BHCGA gave \$1 million to the Northeast Iowa Food Bank, has funded numerous safety equipment purchases, improvements to playgrounds

and recreational areas. BHC GA has distributed funds to 175 different projects and has \$17 million committed. Ms. Knipp requested approval of BHC GA/IOC Waterloo's license.

Hearing no comments or questions for Ms. Knipp, Chair Urban requested a motion. Commissioner Hayes moved to approve the renewal of the license of BHC GA/IOC Waterloo subject to the renewal of the individual licenses of the following BHC GA Board Members by March 17th: William Dotzler, Robert Fulton, and George Scully. Ms. Knipp advised that BHC GA was aware the individuals had not renewed their licenses and will make sure that it is taken care of right away.

Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-22)

Bari Richter, General Manager, stated that it is impressive to see the changes within the community from the funds generated by IOC Waterloo to the non-profit. She stated that the focus of operations is to maintain strong integrity and the property has a strong track record regarding underage gambling. They have also done training for extreme situations such as a robbery, natural disaster, etc. in order to assure the best outcome possible. Ms. Richter stated that team members also have a strong working relationship with the Division of Criminal Investigation (DCI) on property. She thanked the Commission for renewing the license.

Ms. Richter introduced Ed Quatmann, General Counsel for Isle of Capri Casinos, Inc. Mr. Quatmann addressed the Commission regarding IOC's request for approval to refinance their existing senior credit facility. The company announced publicly earlier in the week that they are in discussions with their bank lenders to amend the credit facility at this time as it is an advantageous time to do so, not because they have to do it. The refinancing would leave IOC with a revolving credit facility in an aggregate amount of up to \$325 million and a term loan facility in an aggregate amount up to \$500 million. The revolver would be due in 2015 and the term loan would be due in 2017; under the existing credit facility they would be due in 2012 and 2013 respectively. Mr. Quatmann stated that the company anticipates the credit facility will include other terms similar to the existing credit facility. It will have the same collateral package as the current financing package.

Commissioner Rivera stated it was her understanding that no additional assets were being collateralized. Mr. Quatmann indicated the answer was no at this time, and the company is working hard to maintain the same collateral package.

Mr. Ketterer asked if the refinancing would provide IOC with a little more flexibility with regard to their loan covenants. Mr. Quatmann advised that the new credit facility would be a continuation of where they are at today, but stated that the credit agreement does contemplate the continued pay down of debt, which the company has been doing for some time.

Hearing no further comments or questions for Mr. Quatmann, Chair Urban requested a motion. Commissioner Cutler moved to approve IOC's request to refinance their Senior Secured Credit Facilities. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-23)

Chair Urban called on Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (WCDA/DJW). Kim Koenigs, Executive Director of WCDA, distributed a packet of material containing information regarding the two grant cycles for 2010 and a DVD, which shows how the funds are making a difference in Worth County. In 2010, WCDA distributed, \$1, 695,500.15 in regular grants to eleven different counties and \$67,092.67 to food banks in eight different counties. Ms. Koenigs informed the Commission that in 2010, 104 Worth County seniors received scholarships for \$5,434.30 each; 1,321 Worth county students received a gift card for free school supplies; 72 pre-school students got free pre-school; hundreds of teachers received money to use in their classrooms; student fees were reduced, and curriculums and technology were improved. Worth County schools received a total of \$1,695,500.14 in 2010. In the five years that DJW have been in operation, WCDA has distributed more than \$18 million in grants. Ms. Koenigs stated that the referendum held last December passed with an 86.21% approval rating by county voters. She requested approval of the license renewal application of WCDA/DJW.

Kim Pang, General Manager at DJW, stated that the I-35 corridor has been good to the property, allowing them to continue to grow their clientele base from the Minnesota area. He noted that the WCDA Board is very hands on and routinely sees various board members at the property. Mr. Pang advised that DJW and WCDA have a very good relationship. Mr. Pang also submitted a contract with Data Business Equipment for the purchase of new ticket kiosks.

Hearing no comments or questions for Mr. Pang, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application of WCDA/DJW, the contracts contained in the license renewal and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-24)

Chair Urban called on Dubuque Racing Association/Diamond Jo, LLC d/b/a Diamond Jo (DRA/DJ). Mr. Hoeger requested approval of the license renewal application; noting that the parties have a good relationship. He advised that DRA received in excess of \$3.5 million last year. Mr. Hoeger stated that DRA receives approximately 4.5%, which is passed through to charities and the City of Dubuque.

Todd Moyer, General Manager of DJ, stated that DJ is very active in the community. In 2010, the Diamond Jo National River Museum opened in the harbor, which was made possible by an \$8 million grant from the DJ. Diamond Jo also donated their former office space to the museum. Mr. Moyer stated that the museum has had visitors from all 50

states and 22 countries. Mr. Moyer requested the Commission's approval of the license renewal.

Mr. Ketterer stated that during the Commission's visit to Dubuque last October, they were shown the new ice arena, made possible by a significant contribution by DRA. He asked about the use and reception of that facility. Mr. Hoeger stated that DRA contributed approximately \$1.4 million toward the \$7 million project. He stated that the facility has been a great success in terms of the community and the hockey team. Mr. Hoeger stated that the facility is open ten months out of the year.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts contained in the license renewal and the license renewal application for DRA/DJ subject to the license renewal of DRA board member Daniel Kruse by March 17th. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-25)

Chair Urban called on Missouri River Historical Development, Inc./Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City (MHRD/Argosy). Mark Monson, President of MHRD, stated that MHRD/Argosy had a great referendum and a good year in 2010. He stated that MHRD has distributed just short of \$10 million since they started receiving funds in 1994. In 2010, MRHD distributed just under \$1.6 million. Mr. Monson stated that for the third year in a row, in conjunction with Argosy, MRHD distributed \$41,000 to four colleges within the county. He stated that MHRD and Argosy have a great working relationship. Mr. Monson stated that Argosy provides 350 good jobs when jobs are needed very badly. He requested that the Commission approve the renewal of the license.

Kees Eder, General Manager, concurred with Mr. Monson's comments regarding the relationship between the two parties.

Hearing no comments or questions regarding the MHRD/Argosy license renewal, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal of MHRD/Argosy. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-26)

Chair Urban called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (SCRA/IOCB). Nancy Ballenger and Sally Rogers, General Manager and Director of Finance respectively, were available to answer any questions concerning the license renewal application. Ms. Ballenger advised that SCRA President Terri Ping was unable to attend, but did send her remarks. On behalf of Ms. Ping, Ms. Ballenger noted that IOCB has been very successful in working with SCRA over the years. She advised that SCRA has three main goals for their funding: education, government and non-profits. Ms. Ballenger stated that SCRA received approximately \$3.3 million from IOCB. She informed the Commission that SCRA, combined with the

Riverboat Development Authority (RDA) in Davenport, have contributed approximately \$108 million to area non-profits since 1991.

Ms. Ballenger stated that IOCB was recognized by the Greater Quad Cities Hispanic Chamber of Commerce for their support of the Hispanic community, which is on the rise in the area. Additionally, IOCB was recognized by Meeting America, which is a meeting and convention publication, for the Mid America Center. She noted that the City of Bettendorf built the facility, but IOCB manages it. The facility, which has been open for two years, has allowed IOCB to bring in conventions and groups that previously were not coming to the Quad Cities. Ms. Ballenger advised that the facility recently hosted a conference for John Deere Robotics; there were 325 attendees from 17 countries. She stated that this was the first time this meeting had been held in the Quad Cities; it has previously been held at various locations around the world.

Ms. Ballenger stated that in memory of Bernie Goldstein, IOC has started an initiative in the company called Community Aces and team members are encouraged to go out and volunteer their services in the community. Last year, 1,000 hours were donated to 77 different organizations. She noted that Bettendorf is getting ready to celebrate 20 years of gaming in the Quad Cities, and does have a few employees that have been with them since the beginning.

Ms. Ballenger submitted a contract with The Printer, Inc. for postage and mailing services for approval.

As there were no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of SCRA/IOCB and the additional contract as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-27)

Chair Urban called on RDA/IOC Davenport, Inc. d/b/a Rhythm City Casino. Mo Hyder, General Manager, introduced Mary Ellen Chamberlin, President of RDA. Ms. Chamberlin noted that Davenport is also getting ready to celebrate the 20th anniversary of riverboat gambling; The President Riverboat set sail on April 1, 1991. She stated that RDA holds the longest continuous gambling license in Iowa. Ms. Chamberlin advised that due to the large number of buildings and organizations helped in the past, RDA has become more creative and is now helping to fund operating costs, marketing, etc. RDA provided seed money for a consortium of 100 art and entertainment organizations to help promote Davenport as a cultural tourism destination. They have also started a housing consortium and a corridor beautification program. Ms. Chamberlin advised that RDA has provided \$100,000 to the Scott County Housing Council, who has also received state and federal funds, for the purpose of rehabbing housing in the area. Ms. Chamberlin stated that RDA has been able to leverage \$4 for every dollar given. She stated that the riverboat has brought a new element of giving into the area.

Mr. Hyder stated that Rhythm City has an excellent working relationship with RDA, and collaborates with them on many different events in the community. For the past two years, RDA and Rhythm City have attracted over 30,000 tourists for a summer festival. Mr. Hyder advised that Rhythm City employs approximately 300 individuals; 56% have been with the company in excess of 5 years. He stated that the employees are community ambassadors and participate in community events. Mr. Hyder stated the employees are committed to complying with the rules and regulations. Management and team members continue to operate the boat efficiently and effectively. They paid \$15 million to the state in taxes and contributions and donations totaled approximately \$2.2 million. Mr. Hyder stated that Rhythm City received community support regarding their license renewal via a letter from the Quad Cities Chamber of Commerce.

Mr. Hyder stated that IOC/Rhythm City is aware that the city of Davenport is present and has taken a position regarding the renewal of Rhythm City's license. He advised that IOC corporate officers have spoken with the city's chosen developer and will continue to work with the city in a cooperative and professional manner. Mr. Hyder stated that the management and team members at Rhythm City are committed to providing a safe, friendly environment. He requested the Commission's approval of their license renewal application.

Commissioner Rivera asked how many of the 300 employees were full time versus part-time. Mr. Hyder indicated the 300 figure included some part-time employees, noting that there is some fluctuation in the number of employees. Commissioner Rivera asked how much fluctuation. Mr. Hyder indicated it could be between 18-20%, depending on the season.

Chair Urban called on the Davenport representatives. Mayor Bill Gluba introduced the following City Council members: Alderman-at-Large Gene Meeker, Alderman-at-Large Jason Gordon, Alderman and Finance Chairman Jeff Justin and Alderman Bill Bloom, representing the downtown district. City Attorney Tom Warner was also present. He stated that Alderman Meeker would be speaking following the conclusion of his remarks.

Mayor Gluba pointed out that Davenport is where riverboat gambling returned to Iowa. It was the intent that gaming in Iowa, as in other states, would come with the promise of economic development, tourism, jobs, and added revenue for state and local governments and charitable organizations. Gambling was not just to benefit private casino interests. Mayor Gluba stated that while gambling has evolved across the nation and in Iowa, Davenport still has a boat/barge. He pointed out that new land-based casinos have opened in Dubuque, Riverside, Clinton and Waterloo, and that Jumer's recently opened a \$150 million land-based casino/hotel across the river in Rock Island.

Mayor Gluba advised that IOC signed a development agreement in 2005 for a \$43 million project, including a 181-room hotel, all of which would have attracted more tourists, and produced more revenue and jobs for the city, county, state and charitable groups. He pointed out that over five years have passed and IOC has failed to submit any

plans for review that would lead to construction. He stated that Rhythm City attracts fewer tourists, generates less revenue and has experienced a decrease in jobs. Mayor Gluba referenced editorials published in the Quad City Times. He stated that Davenport is tired of being treated like an afterthought, and losing revenue, tourists and jobs to Illinois. Additionally, the city is tired of seeing money taken from the local citizens by IOC and invested in places like Missouri, New Jersey and elsewhere.

Mayor Gluba stated that due to IOC's failure to make any significant investment in Davenport, and failure to honor previous commitments, the City Council solicited and found a new investor willing to move gaming in Davenport into the current century. The investor is poised to invest a minimum of \$75 million in Davenport to bring a first rate, land-based casino complex to the Iowa Quad Cities area and bring some real competition to eastern Iowa. Mayor Gluba stated that the investor is actively seeking to purchase IOC's interests in Davenport. On behalf of the City of Davenport, Mayor Gluba requested that the Commission grant a temporary or conditional license to RDA/Rhythm City.

Mayor Gluba noted that Iowa Code states that the casino operator "must" maximize the overall net benefit of the license. Based on IOC's public comments, the decline in revenue at the Davenport property and the findings of the Cummings Associate report, it is clear that IOC is not maximizing the license in Davenport. Mayor Gluba also pointed out that Iowa Code states the casino operator must operate with community support. He stated that IOC does not have the support of the City Council; that they voted unanimously to request that their operating license be terminated and bestowed upon the new operator who is willing to invest in a land-based casino/hotel complex.

Mayor Gluba asked the Commission to end IOC's monopoly on gaming in Scott County. He again requested that the Commission grant RDA/IOC/Rhythm City a 90 to 180-day temporary or conditional license during which time IOC would be expected to consummate the sale of their casino interests in Davenport. Mayor Gluba stated that IOC's years of inaction and lack of investment is costing everyone \$8.8 million per year.

Mayor Gluba turned the floor over to Alderman Meeker, who spoke on behalf of the City and the City Council. Alderman Meeker noted that Davenport received one of the first CAT grants in 2001-2002 for the redevelopment of downtown Davenport, and through that effort, attracted over \$200 million in private and public improvements. The City then solicited a second CAT grant, which was rejected based on IOC's promise to invest approximately \$45 million in the downtown area, including a new 181-room high-rise hotel. Additionally, IOC was going to lease a large parking garage from the city. Alderman Meeker again asked the Commission to only grant a temporary or conditional license to RDA/IOC/Rhythm City.

Alderman Meeker, noting that Davenport is the third largest city in Iowa, stated that Davenport is experiencing a loss in revenue and potential jobs due to the lack of

investment in the downtown area; that the city is a victim of a third tier gaming operation while casinos in other areas have invested heavily in their communities.

Ms. Chamberlin stated that she agrees with many of the previous statements, but does not agree that the license should be conditional or temporary as that would destabilize the market and raise concerns for the employees and patrons. She stated that there has already been some destabilization to the market. Ms. Chamberlin stated that RDA is willing to work/negotiate if there is a new operator.

Commissioner Cutler asked the status of the negotiations at this time. Mr. Quatmann stated that he disagreed with a significant amount of the characterization just verbalized. He stated that it is clear the city has something in mind that it would like to do; IOC understands that and has indicated they will cooperate with the process as outlined by the city. Mr. Quatmann pointed out that the city has chosen a developer other than IOC; IOC has had conversations with the selected developer and he expects those conversations will continue. He stated that he agreed with Ms. Chamberlin that a conditional or temporary license for the sole purpose of facilitating the transaction does not seem appropriate and will only serve to further destabilize the market. Mr. Quatmann stated that he believes all parties are in a business mode and are working through the process.

Chair Urban stated that she thought Mayor Gluba had used the word “impasse”. Mr. Warner indicated that the city has had some “professional” meetings with IOC and Mr. Quatmann, who has assured the city that IOC will continue to negotiate with the preferred developer. Mr. Warner stated that the city was not asking the Commission to grant a license that would put them out of business, and was having a difficult time understanding the panic. He stated the city is simply asking the Commission to grant a license for 90-180 days at which time the city and IOC could come back before the Commission and provide a progress report.

Mr. Quatmann stated that IOC was not aware of any impasse; that conversations have been ongoing.

Commissioner Cutler asked if there was any difference between “conversations” and “negotiations”. Mr. Quatmann stated that conversations precede negotiations; that it is all part of the same process. He pointed out that the City has chosen a developer that is new to gaming and does not have any other operations. Mr. Quatmann stated that he believes there is a process the proposed developer needs to go through to learn about gambling and how it works. He stated that it was his understanding that the proposed developer had started that process.

Commissioner Cuter asked if the conversations/negotiations would lead to discussions about how much he is willing to pay for IOC’s operations. Mr. Quatmann answered in the affirmative; it is his understanding that the proposed developer needs to select a site, and that there is a process the developer needs to go through prior to any discussions regarding price.

Commissioner Seyfer asked if IOC had made a decision to not go to a land-based facility. Mr. Quatmann stated that he would not characterize the situation in that manner. He stated that the city commissioned a study in 2008, which found that a \$150 million investment in downtown Davenport was justifiable. The city presented IOC with the study and gave them an option of doing that or cooperating with the process to find a developer that would make the investment. IOC chose the latter option. Mr. Quatmann stated that IOC has invested \$75 million into the Davenport property to date.

Commissioner Rivera noted that a previous speaker addressed the unrest in the community during the negotiation process. She asked if that had affected revenues or employment. Mr. Hyder stated that there is continually something in the media regarding these issues, which has a tendency to have an impact on the psyche of the employees; he emphasized that Rhythm City does have a very strong employee base that believes in the operation and the community. Mr. Hyder stated that IOC is doing everything they can to manage that particular aspect of the situation. From a customer's standpoint, he stated that as soon as something is printed in the paper, the facility starts getting phone calls inquiring as to whether or not the property is open, what should they do with their Players' Club points, and whether they should throw away the mail; all of which does have an impact on visits to the facility and ultimately, revenues.

Commissioner Rivera asked what steps IOC/Rhythm City is taking to offset the negative effects of the publicity. Mr. Hyder stated that the management team has been working very closely with the employees to make sure that they understand the realities and try to keep them focused in order to provide the customer with the best entertainment value in order to keep them from crossing the river.

Commissioner Rivera asked if Rhythm City is continuing to do business with smaller businesses within the community/surrounding areas, which could also be impacted. Mr. Hyder answered in the affirmative stating that they all need assurance as some of them have long term contracts with the facility.

Mr. Ketterer stated that when IOC purchased the Davenport property in 2000 he thought they paid \$57 million. He asked if IOC had made any major investments in the property in the 11 years that they have owned it. Mr. Hyder stated that the rebranding and switch over of the facility was another \$30-40 million; that the total investment over the last 11 years is \$75 million. He indicated they are continuing to reinvest in the property; noting that 4% goes back into taking care of maintenance-type items; they are planning to re-carpet the facility and paint the facility inside and out.

Alderman Justin stated that he is part of a small group of aldermen trying to work through this issue with IOC. He conceded that IOC has spent money to maintain the boat, but that does not amount to capital investment; it is just keeping the current asset going. He stated that it is in the city's best interests to maintain the employees and market share. Alderman Justin stated that the proposed developer has been informed that jobs and a larger market share are important.

Mayor Gluba stated that the time for discussion is past, and it is time for serious negotiations. He stated that he has had people tell him that they are excited about a brand new world-wide big gaming operation coming to Davenport. Mayor Gluba stated that he didn't understand EBITDA, but felt the value of the property was going down due to a lack of investment. He pointed out that IOC was supposed to build a land-based facility in Bettendorf, and wondered what happened to that investment. Mayor Gluba stated that gaming was about raising money for the cities, state, counties and charitable organizations.

Commissioner Seyfer stated that the Commission does not have the authority to force someone to sell their property in three months. He stated that he is not willing to grant a conditional/temporary license. He wants to renew the license, with a detailed progress report from both sides in three months. Commissioner Rivera stated that she agreed with Commissioner Seyfer's comments. After a recent visit to Jumer's, she stated that IOC has a stiff competitor. She expressed her hope that both parties can come to an agreement,

Commissioner Seyfer moved to approve the license renewal of RDA/IOC Davenport, d/b/a Rhythm City with the City of Davenport and IOC giving a detailed progress report at the June Commission meeting, and subject to the occupational license of RDA Board member John Maxwell being renewed by March 17th. Commissioner Rivera seconded the motion.

Ms. Chamberlin stated that it is difficult for some board members who need to be re-fingerprinted to get to the licensing office as they are only open in the mornings during the week, and all of RDA's Board members have other jobs. Commissioner Hayes stated that he made the motion because compliance with the Commission's regulations is important, and all of the casinos know that. Compliance starts at the top; if Board members are unable or unwilling to comply with simple regulations then it would behoove the non-profit to find different board members. Commissioner Hayes stated that he has previously been a member of a licensed non-profit board. He expressed his hope that the motion would not have to be made in the future for any of the casinos.

Chair Urban called for a vote on the motion, which carried unanimously. (See Order No. 11-28)

Following a short break, Chair Urban called on Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort (CCDC/Lakeside). Will Reisinger, President of CCDC, and Doug Gross, legal counsel, advised that they would like to hear from Lakeside prior to making any comments.

Jerry Crawford, legal counsel, stated that he did not address the Commission during the approval of the 45-day plan for Mystique Casino, but wanted to remind everyone that the IGA and Mystique are in the first year of a five-year agreement. He stated that the parties have had a very cooperative and positive relationship this year. Mr. Crawford advised

that some very interesting things are occurring at Mystique that the Commission will be hearing about in the future.

Mr. Crawford stated that Lakeside had provided materials to the Commission on the status. The Bankruptcy Counsel in Nevada advised the new Board that the Bankruptcy Court had resolved the issue of whether there was a breach of the agreement with the Water Board in Osceola; however, questions were raised. One of the questions was whether or not the Water Board had received notice of the bankruptcy proceedings, and whether there was an ongoing and continuing breach of the lease with the Water Board. Mr. Crawford advised that on Tuesday, in hopes of resolving the legal questions in this matter, Bankruptcy Counsel sought declaratory relief on those issues. He noted that while Bankruptcy Counsel advised the new board that they have no legal obligation beyond the present status of things, they did authorize David Ross, the Chief Executive Officer, to go forward with discussions and negotiations with CCDC, the City and the Water Board. Mr. Crawford stated that full resolution for HGI does not mean resolution with just one of the entities. He reminded the Commission that Herbst prepaid 1% at the time of the last transaction, and now CCDC is taking the position that that doesn't count because it went to CCDC and the Water Board, not just CCDC. He turned the floor over to Mr. Ross.

Mr. Ross thanked Mayor Diehl for his letter of support on behalf of the City of Osceola. He also thanked Wil Reisinger and Helen Kimes of CCDC for being available for meetings over the past couple of months, and their time commitment over the past 10 days. Mr. Ross stated that Lakeside is trying to put their best foot forward. He noted that the new board has been in place for 60 days and feels they have accomplished a lot. Mr. Ross stated that Lakeside did advance a global settlement, but have not yet achieved that goal.

Mr. Ross stated that Lakeside has had discussions with two hotel development companies, one of which has engaged an architect. He stated that if Lakeside is not successful in finding a partner, they are prepared to move forward with the hotel on their own; that \$10 million has been set aside by the lenders. Mr. Ross advised that the plan is to bring a project before the Commission on or before July and break ground in the fourth quarter. He stated that the only thing that has changed since the last time he addressed the Commission is the proposed tax rate, which could have an impact on the viability of the project. Mr. Ross stated that they continue to have discussions with their partners on this matter. He requested renewal of the license.

Mr. Reisinger agreed that CCDC and Lakeside have been moving forward in terms of discussions, but CCDC has not received any concrete time lines as to when things will take place. He noted that the November 10th Commission meeting minutes indicate that the Commission would expect firm plans in place by March 3rd regarding the new hotel or other amenities that will be added so that both parties are assured that things are moving forward. He stated that his concern today is that he can not tell the Commission that things are progressing. Mr. Reisinger noted the parties have been talking about a

hotel for five years. While he conceded that the new Lakeside Board has only been on the job for 60 days, Mr. Ross knew what was going on a year ago; that Lakeside has been holding off. Mr. Reisinger stated that CCDC is looking for a “shovel in the ground” commitment; that just because the money has been committed in the corporate budget, it doesn’t mean the project is moving forward. It won’t draw people to the facility that are passing by on the interstate. He stated that he felt CCDC finally had a commitment at the November Commission meeting; however, the letter he received yesterday from Mr. Ross indicated that the project was contingent upon whether or not the tax increase passed.

Mr. Gross advised that the Water Board holds the lease for the land on which the facility operates. The lease states that Lakeside is to maintain 500 jobs. Mr. Gross stated that when a casino was first proposed in Osceola, the number of jobs was a significant point of negotiation. He stated that he now believes the number of employees to be below 400. The Water Board has sent Lakeside a letter asking them what they are going to do about the default of the lease with regard to the number of jobs. Mr. Gross noted that the loss of 150 jobs and payroll turning over in the economy amounts to several million dollars. He stated that the Water Board made a proposal to Lakeside, but had not received a response until the previous evening when he received the same material the Commission received, which indicated Lakeside had sued the Water Board and was taking them back to the Bankruptcy Court in Nevada. Mr. Gross stated that every time CCDC gets close to having the Commission focus on an issue, Lakeside drags them back to Bankruptcy Court. He indicated that now the Water Board will have to determine whether to defend themselves in order to protect 500 jobs in the community that were negotiated in good faith. Mr. Gross stated that CCDC is not asking the Commission to negotiate their contract with Lakeside; that is not their responsibility; however, he pointed out it is the Commission’s responsibility to look after the interests of the people of Iowa. He believes Lakeside is trying to use the Nevada Bankruptcy Court to excuse them for not meeting specific requirements, namely the number of jobs and the 3% payment to the non-profit. Mr. Gross noted that at the November meeting Commissioner Hayes insisted that Lakeside have firm plans in place by March 3rd, and Mr. Ketterer advised CCDC that they would have an opportunity to address the issue at the March meeting. He noted that Lakeside failed to perform once again. Mr. Gross asked that the Commission grant Lakeside’s request for licensure conditioned upon resolving the issues with CCDC.

Chair Urban asked Mr. Ross what guarantees the Commission has that Lakeside will follow through on the previously mentioned issues. Mr. Ross stated that at the November meeting, the new Board of Directors was not in place and that the company exited bankruptcy on December 31, 2010. He stated that he did hear the Commission at the November 10th meeting; he took that information to the lenders and was able to secure \$10 million for development at the Osceola property. Mr. Ross stated that he feels there are several different opportunities for development on the property, and while Lakeside could rush into building the hotel; they were attempting to take time to develop a master plan, update feasibility studies and get input from CCDC. He reiterated that the credit agreement with the lenders specifically sets aside \$10 million for development at the

Osceola property. Mr. Ross stated that he has not changed what he stated at the November 2010 meeting. He reiterated that if a hotel developer does not materialize, Lakeside is prepared to proceed with the hotel on their own.

Commissioner Cutler asked Mr. Ross if the last statement meant that a tax increase would not impact the project at all. Mr. Ross stated that the proposed tax increase as presented at this time would have an impact on the property as a whole. He stated that he was not sure of the current tax situation.

Commissioner Hayes asked Mr. Ross what the proposed 14% tax rate increase would cost the property. Mr. Ross indicated it would be approximately \$6 million. Commissioner Hayes asked about the company's bottom line. Mr. Ross stated that he was not sure; HGI-Lakeside is a public company and haven't filed their 10K at this time. Commissioner Hayes asked if it was over or under 15%. Mr. Ross indicated that he felt it would be close to that number. Commissioner Hayes asked what other areas, besides the building of the hotel, of the operation could be impacted by the proposed increase. He asked if it could impact the number of employees. Mr. Ross indicated it was possible; that operators across the country are seeking efficiencies in operations. Commissioner Hayes asked if the tax increase could affect slot payouts. Mr. Ross stated that he has seen some operators do that; that he has seen some employees let go. He stated that without knowing the end result, the proposed tax increase is the only thing that has changed since the last time he addressed the Commission. Commissioner Hayes pointed out that everyone will know the outcome of the proposed tax increase by the end of April.

Chair Urban stated her belief that it was Mr. Ross who promised the Commission in 2009 that there would be a hotel at the Osceola property. Mr. Ross advised that he was at the meeting, but did not make the presentation. He stated that it was the previous Board of Directors that authorized the president of the company and the 360 Group to make a joint presentation. In the end, the 360 Group was unable to obtain the necessary financing for the project. The current Board and lenders have taken the concerns about financing off the table. Chair Urban stated that she didn't want to be addressing this same issue a year from now. The Commission has seen no plans. Mr. Ross stated that he would be happy to meet with the Commission and show them the development plans that have been shared with CCDC. He stated that the money is available, and the hotel expansion will occur. Mr. Ross stated that the hotel is the right thing for the property and the State of Iowa. He stated that Lakeside was attempting to look at other development opportunities on site that would benefit the property and make it more of a destination site.

Commissioner Rivera asked Mr. Ross if he would agree that without any capital improvements there more than likely wouldn't be any increase in revenues. Mr. Ross stated that they have made some changes to the property and in marketing which should lead to some increase in revenues, but the hotel would add to that increase. Commissioner Rivera asked about the lease agreement with the Water Board and the stipulation that 500 jobs be maintained. Mr. Ross stated that agreement was made with the previous operator and that he was not involved in the discussions. He stated the hotel

expansion would create additional jobs, as would other amenities as they are added. Commissioner Rivera stated she was happy to hear him promise additional jobs, but would like to know when that might occur. Mr. Ross stated that it was his understanding that it would be July when he brought an approved project back to the Commission and that construction would begin in the fourth quarter.

Commissioner Seyfer stated that the Commission is looking for something more than intent; that an approved project will be submitted in July and that construction will start in the fourth quarter.

Commissioner Seyfer asked Mr. Reisinger if CCDC has seen any plans. Mr. Reisinger stated that they have not seen anything specific, just general overall site plans. He stated that Lakeside doesn't want to spend the money; they want someone else to spend the money. He stated that a lot of the site plans CCDC has been shown are the same ones shown to them 5-6 years ago. He is cognizant of the fact that Mr. Ross works for a bigger company, but CCDC is frustrated by their inability to get firm answers. Commissioner Seyfer asked if the site plans CCDC has recently been shown were satisfactory 5-6 years ago. Mr. Reisinger stated those were the first plans for the hotel expansion.

Chair Urban asked Mr. Reisinger what his suggestion would be with regard to the renewal of the license. Mr. Reisinger stated that he would like to see a conditional license stipulating that Lakeside come back to the Commission in July with a definite plan and a physical time table in writing. He stated that the current revenues in Osceola are one-quarter to one-half of the other Iowa properties. The property looks the same as it did in 1997-98; Mr. Reisinger stated that Osceola is the most under-developed site in Iowa. He stated that any type of development that pulls travelers off the interstate will increase everyone's revenues.

Mr. Crawford stated that \$31 million has been spent on refurbishing the facility in the last five years. He concurred with Mr. Reisinger's statement that Lakeside would love to have a joint venture partner for the hotel. He further advised that there have been multiple meetings with different hotel development groups; noting that one has hired an architect. Mr. Crawford stated the reason Lakeside would like to have a joint venture partner is that they would like to use as much of the \$10 million as possible for additional related development at the site. He stated that if Lakeside has not been successful in attracting a joint venture partner for the hotel by April, Lakeside will proceed on their own but it will reduce the cash flow available to do other things that would make the property a more exciting and job-creating property. Mr. Crawford stated that Lakeside understands everyone's frustration; they have indicated they will bring a project before the Commission in July and will commence construction in the fourth quarter of this year. He stated that conditions outside of Herbst's control, like the Legislature authorizing table games at racetracks, have impacted the revenue and jobs at the facility. Mr. Crawford pointed out that Lakeside lost 50% of their table game revenue and several employees in a 90-day period; he noted that Lakeside was not the only facility to

experience a decline in table game revenue or employees due to that change. Additional factors attributing to the decline in revenue and employees were the recession and the advent of the ticket-in/ticket-out technology. He stated that Lakeside was only responding to conditions facing the property, not as a way to increase the bottom line.

With respect to the proposed tax increase, Mr. Crawford noted that it is a 63% increase. He stated that he has been told that six or more casinos in Iowa will close if that occurs, which will cost thousands of jobs.

Mr. Reisinger informed the Commission that he has an auto dealership in Osceola, and knows what tough times are; that he works on a single digit margin while the casinos work on a 26% margin. He stated that if Herbst would increase the footprint of the property, the number of jobs would not be an issue. Mr. Reisinger stated that the \$31 million referenced by Mr. Crawford was spent on the inside of the building; there have been no changes made to the outside of the building nor has anything been done that would increase the number of employees. Mr. Reisinger stated that Herbst has a monopoly, is making lots of money and needs to be held to the fire. He stated that the community was sold the idea of a casino based on the fact that it would create jobs; the last referendum passed with over 80% of the voters voting in favor of the continued operation of the casino, but those voters still believe the whole purpose of the casino was jobs, not gambling.

Commissioner Seyfer asked the date of July meeting. Mr. Ketterer stated that the meeting date has not yet been set, but would more than likely be the third Thursday of the month. Commissioner Seyfer asked if there was any reason that Herbst couldn't bring the project before the Commission at the June 9th meeting. Mr. Ross stated that if the Commission wanted to have the project before them on June 9th, Herbst would comply. Commissioner Seyfer asked if the Commission approved the project in June if there would be any reason why ground couldn't be broken in October. Mr. Ross stated that he felt that was reasonable.

Chair Urban called for a motion regarding Herbst's license. Commissioner Seyfer moved to approve the renewal of the license for CCDC/HGI-Lakeside d/b/a Terrible's Lakeside Casino Resort. Additionally, HGI will present plans for the Commission to review and approve at the June 9th Commission meeting and that the project will commence on or before October 1st. Commissioner Hayes seconded the motion.

Commissioner Cutler, noting that Commissioner Seyfer specifically stated the renewal of the license was not conditional, asked what would happen if Herbst doesn't come to the June meeting with a plan. Commissioner Seyfer stated that the license is for one year and that the following year he would probably vote not to renew the license.

Chair Urban called for a vote on the motion, which carried unanimously. (See Order No. 11-29)

Chair Urban called on Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton (CCCDA/WRC). Tom Fullerton, a CCCDA Board member, and Tim Bollmann, General Manager, requested approval of the license renewal application and were available to answer any questions. Mr. Bollmann stated that WRC is starting its third year in the land-based facility, and have experienced an increase in revenues each year.

Mr. Fullerton advised that Clinton County is proud to be celebrating the 20th year of gaming in the county; noting that WRC has been a great asset to the community. He advised that CCCDA was able to place \$2 million toward a \$20 million remodeling project of the riverfront. Additionally, they were able to put \$2 million into an industrial rail park that serves the community. Mr. Fullerton advised that the total cost of the project will exceed \$20 million. When it is completed, Clinton will have one of the newest and brightest rail service industrial parks served by the Union Pacific Railroad. Mr. Fullerton thanked the Commission for their support.

Commissioner Hayes asked what changes the CCCDA charitable grants committee has made since the new facility was opened. Mr. Fullerton stated that when the property operated on a riverboat, CCCDA received less than \$1 million per year; he thought they received approximately \$1.5 million last year. He noted that visitor counts are up.

Hearing no questions or comments concerning the license, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of CCCDA/WRC, L.L.C. d/b/a/ WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-30)

Chair Urban called on Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg (PACGDC/WR Emmetsburg). Amy Rubel, General Manager, stated that the facility gives 6% back to the non-profit, and that the community is so appreciative of the funds received. To date, PACGDC has received \$6 million, with \$1.6 million being distributed during the last grant process. Ms. Rubel stated that there would be a big party in the northwest corner of Iowa as WR Emmetsburg is getting ready to celebrate their five year anniversary and Grand Falls Casino Resort is planning to open Memorial Day weekend. Ms. Rubel advised that the referendum in Palo Alto County had the second highest approval percentage. She requested the Commission's approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of PACGDC/Wild Rose Emmetsburg, L.L.C. d/b/a WR Emmetsburg. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-31)

Chair Urban called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II L. C., d/b/a Catfish Bend Casinos II (SIRRC/CBC). Gary Hoyer, Chief Executive Officer, advised that SIRRC is a unique blend of three communities –

Burlington, Ft. Madison and Keokuk; and two counties – Lee and Des Moines, which has been in existence since 1990. He stated that SIRRC has done a lot within the communities, including commercial development projects – a library, tourist attractions, etc. Mr. Hoyer expressed regrets on behalf of Steven Staebell, the newly elected president of SIRRC, who was unable to attend due to previous commitments.

Hearing no questions or comments concerning the license renewal, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of SIRRC/Catfish Bend Casinos II d/b/a CBC subject to the individual license renewal of SIRRC board members Steven Link and Joseph Steil by March 17th. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-32)

Chair Urban called on Upper Mississippi Gaming Corp./Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette (UMGC/LLCM). Todd Steffen, General Manager, advised that Sindee Gohde, Executive Director of UMGC, was ill and unable to attend, but did send her comments. In her comments, Ms. Gohde pointed out that UMGC has distributed \$4.2 million in Clayton County and the surrounding areas over the last 16 years. Mr. Steffen advised that UMGC and LLCM have a great relationship. The facility has completed a full year under the Lady Luck brand. The focus of the team members is to insure that the patron is having fun and receiving a great value for their money.

Mr. Steffen stated that in addition to the \$106,000 UMGC distributed in grants in 2010; LLCM donated an additional \$45,000 to charity. During the last month, employees volunteered 248 hours to various organizations, including local charities, communities, area Chamber of Commerce, schools, fire department, etc. Mr. Steffen stated there are approximately 140 employees at the property, and about 22% have been there since day one of operations.

Referencing Mr. Ketterer's remarks during the review of the economic impact reports, Mr. Steffen stated that LLCM does have some challenges in being able to purchase Iowa goods and services, but are able to work with several local businesses. He conceded that it may not be a significant amount of money, but it does mean something to the local businesses and producers. Mr. Steffen stated that the facility will purchase fresh produce for use at the facility when it is available. They also offer wine made at a local winery. Mr. Steffen requested the Commission's approval of the license renewal and the following contracts:

- JCM American Corp – Purchase, Maintenance of Replacement Bill Validators
- Konami Gaming, Inc. – Purchase, Lease, Parts, Maintenance of Slot Machines

Hearing no comments or questions regarding the license renewal or the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the license renewal of UMGC/Isle of Marquette, Inc. d/b/a LLCM and the two additional contracts as

submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-33)

Chair Urban moved to Public Comment and called on Wes Ehrecke, President of the Iowa Gaming Association (IGA), who distributed copies of the County Endowment Fund Program report. He stated that this is the fifth year of the program which benefits those counties without gaming facilities. The report shows how the counties have utilized the funds received from the program.

Mr. Ehrecke also commented on the 20th anniversary of gaming in Iowa, and noted that several communities will be celebrating. He stated that the industry now employs 10,000, and creates \$1.5 billion of capital investments. Mr. Ehrecke stated that a lot of the success of the industry comes with certainty with regard to various issues, but currently the industry is dealing with a lot of uncertainty pertaining to the tax rate. Mr. Ehrecke also stated that the IGA members are working to defeat the 63% increase in the tax rate. He noted that casinos are taxed on their gross revenue, not the net. Mr. Ehrecke advised that this tax increase would be devastating to the casino industry and would cause some of the facilities to default on their loan covenants, and would lead to six or more casinos closing. The members are stressing that a 63% increase in the tax rate will not mean a 63% increase in revenue to the state.

Chair Urban moved to Administrative Business. Dr. Keith Soring, Director of Racing, gave notice that parties interested in applying for the Horse Racing Promotion Fund for Fiscal Year 2011 in the amount of \$3,531.00 should submit their request to the Commission's Des Moines office by 4:30 PM on April 1st. He also advised that The Legacy Harness Horse Foundation, who received the 2010 funds, must submit a written accounting of how they utilized the funds and an affidavit stating that none of the funds were spent on any political activity or an attempt to influence legislation.

Chair Urban, on behalf of the Commission, thanked the non-profits for all that they have done for their respective communities and the difference it is making in the culture of Iowa. She called for a motion to adjourn. Commissioner Rivera so moved. Commissioner Hayes seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK